Meeting: IAASB
Meeting Location: New York
Meeting Date: March 15-19, 2010

Agenda Item 6

Auditing Complex Financial Instruments—Proposed Revised IAPS 1012

Objectives of Agenda Item
1. To discuss matters relating to the status and authority of future International Auditing Practice Statements (IAPSSs), including IAPS 1012, “Auditing Financial Instruments,” and recommendations with respect to the extant IAPSSs.
2. To consider a summary of significant comments received on consultation.
3. To consider a first draft of proposed revised IAPS 1012.

Task Force
4. The Task Force comprises:
   - John Fogarty, Chair, former IAASB Deputy Chair
   - Jon Grant, IAASB Member and Member of UK Auditing Practices Board (APB) Working Party on Complex Financial Instruments
   - Tomokazu Sekiguichi, IAASB Member
   - Gregory Fletcher, US Public Company Accounting Oversight Board
   - John Hughes, KPMG and Chair of UK APB Working Party on Complex Financial Instruments
   - Tom Omberg, Deloitte
   - Marc Pickeur, IAASB CAG Representative for the Basel Committee on Banking Supervision

   The Working Group addressing general issues relating to the status and authority of the IAPSSs is listed in Agenda Item 6-A.

5. The Task Force met via teleconference on six occasions in February 2010 to discuss comments received on the consultation paper and revisions to the draft IAPS 1012.

Background and Activities since Last IAASB Discussions
6. At its September 2009 meeting, the IAASB approved the issuance of a Consultation Paper

Prepared by: Kathleen Healy (February 2010)
on auditing complex financial instruments. The Consultation Paper included the UK APB’s Practice Note (PN) 23\(^1\) as an Appendix to solicit views on whether their recently issued guidance would be suitable in an international context. At its December 2009 meeting, the IAASB discussed preliminary issues,\(^2\) and provided input and direction to the Task Force on the way forward. The Task Force used the PN as the basis for the draft IAPS presented to the IAASB for reference at its December 2009 meeting.

7. The comment period for the Consultation Paper closed on January 15, 2010. As the draft IAPS had been substantially revised to respond to comments received, mark-up versions of the draft showing changes from the December 2009 draft and the PN are not presented.

8. In addition to the proposed discussion on IAPS 1012, matters relating to the status and authority of the IAPSs will be addressed at the beginning of the session. The Working Group’s discussions and proposals are included in Agenda Item 6-A.

**Material Presented**

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<td>Auditing Complex Financial Instruments—Summary of Significant Comments on Consultation and IAASB Task Force Recommendations dated March 2010</td>
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**Action Requested**

The IAASB is asked to:

- Consider the issues and Working Group proposals presented in Agenda Item 6-A;
- Consider the summary of significant comments on consultation and Task Force recommendations presented in Agenda Item 6-B, and the draft proposed revised IAPS 1012 presented in Agenda Item 6-C; and
- Provide input and guidance to the Working Group and Task Force in developing a consultation paper and exposure draft for the June 2010 IAASB meeting.

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\(^{1}\) Practice Note 23 (Revised), “Auditing Derivative Financial Instruments,” issued in April 2002 and based on extant IAPS 1012.